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Final Draft

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Works Cited

➤ <http://www.houstontx.gov/budget/09budadopt/index.html>

➤ Rice, Preston Division Manager

A handwritten signature in black ink, appearing to read "Preston Rice", written in a cursive style.

➤ Jones, Shantel Financial Analyst I

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Public Works & Engineering

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Budget

Budgeting is one tool that can be used to resolve many problems. A budget is an estimate, often itemized, of expected income and expense for a given period in the future. The City of Houston has 25 different departments that must submit a budget to City Council. Many people are familiar with some departments, such as the Police, Fire, Health, and Library Departments. However, the department that I intern with is the Public Works and Engineering. The Public Works and Engineering Department (PWE) is responsible for the majority of infrastructure programs within Houston.

The City of Houston Public Works and Engineering Department provides many of the basic services that affect the daily lives of everyone who lives and works in the city limits of Houston. Primarily, the department is responsible for the following: the administration, planning, maintenance, construction management, and technical engineering of the City's infrastructure. This includes the production and distribution of over 146 billion gallons of

water per year and the treatment of over 90 billion gallons per year of wastewater. It also includes the maintenance of the City's over 16,000 lane miles of streets, over 60,000 storm water manholes, over 100,000 storm water inlets, over 900,000 street name and traffic control signs, over 17,000 freeways and under bridge light fixtures, over 50,000 fire hydrants and traffic signals at over 2,000 intersections.

Within the Public Works and Engineering Department, several divisions support the day to day operations. One of the functions that is essential to the operations of this entity is the Resource Management Division, which is composed of five different branches; Capital Project, Fiscal Services, Accounts Payable, Asset Management, and Budget Management. Each section provides a specific duty. The budget management section is responsible for managing, monitoring and controlling the department's annual operating budget. This is accomplished through budget preparation, financial analysis, financial reporting and day-to-day monitoring of the department's ten operating funds of more than \$1 billion. What is interesting is that the budget section with all its responsibility has a staff of only 10 employees.

The PWE budget is supported by five different funds; the Revolving, Special Revenue, General, Enterprise, and

Equipment Funds. A fund is a fiscal accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The General Fund is supported by revenues that the city collects yearly. Sixty six percent of the General Funds Revenues are from property, sales, and other taxes. However, the other thirty four percent is from franchise fees, interfund services and licenses and permits.

Some funds are self supporting, such as the Special Revenue Fund. The Special Revenue Funds accounts for the proceeds of revenue sources that must be spent for a particular purpose. The Library, Mayor's Office, Municipal Courts-Administration, Parks and Recreation, Police, Public Works and Engineering all have special funds. Within the PWE Departments, Building Inspection, Sign Administration, and Houston TranStar Center are considered to be special revenue funds. Each section produce its own revenue through inspections, permits, fees, etc. and the proceeds are to be used for the specific function of that fund.

Enterprise Funds are in existence to account for products or services continuously provided by the governmental unit where the users include the general public and the costs of providing the products or services financed mainly by user charges; an example of this is an airport, or a golf course.

Equipment funds are for the major equipment that will be purchased for the department. It is imperative that each fund accounts for the correct expenditures. Each fund has a certain amount of money readily available in it, which is why each division has its own separate budget that is a part of PWE Department total budget.

Every year each division has to submit a budget by the deadline set by the Financial Management Branch (FMB). A memo for this budget preparation process is normally sent out near the end of November. The budgets are due back to FMB the second week in February. During this time the level of communication between the budget section and the field increases 100 percent. The budget section is constantly reviewing and making revisions as necessary. The revisions can be either an increase or decrease depending on the perimeters set forth by the finance department. For example, the field might be using a 14.8

percent calculation for pension, whereas the percentage should be 15.3 percent.

A budget guideline book is given to each division. This allows the division to have a guide to follow upon preparation that includes required forms to be completed. When a division wants to increase for example the number of employees within their section, the division has to prepare a Form Three. The form three has to show justifications as to why there is a request for an adjustment. The budget must be approved by the department director, Michael S. Marcotte. Once it is approved, the finance department combines all of the cities department budget's within Public Works and submits it to City Council for approval. Once Council approves the budget for that fiscal year it then goes into effect.

I know questions come to mind as to how you keep account for all the expenses and transactions that take place in the department and divisions within. It would be overwhelming for a single individual to handle everything, which is why each member in the budget group is assigned to a certain funds and divisions to keep track of. There's financial reporting, monitoring of the spending, and projections that must be performed.

Some of the ways that we monitor is through a Monthly Financial Operating Report (MFOR), Monthly Expense Trend, MFOR roll up, Budget approvals and transfers, expenditure corrections, and projections. A monthly MFOR is provided to the field. This spreadsheet allows the field to see the percentage of the budget that is expended both on a monthly and cumulative basis for each division and cost center. The spreadsheet is updated at the beginning of the following month, because the numbers change daily within the current month. Once the budget department updates the financial report, it's then sent to the field to provide projections. The spreadsheet given to the field initially shows only preliminary numbers because the budget month close on or around the seventh of the next month. After providing projections the field sends the spreadsheet back to the budget section.

The spreadsheet is then updated with the final budget number after the month closes. True projection then can be provided. For example, if the field projects \$2,000 for fuel, however, the field has already spent \$2,500 then the projections have to be adjusted to reflect a projection of \$2,500 or more. After the budget sections review and finalized the projections numbers, the MFOR is then submitted to the Finance Department at a fund level. A

memo drafted by the division manager, Preston Rice accompanied the MFOR. The memo explains any discrepancies between the current and prior month. The Finance Department review and submits a final copy of the MFOR to the Controllers Office for further review. The monthly report that the Finance Department provides can be viewed on the City of Houston website. We also do Monthly Expenditure Trends which gives a comparison from the previous year to the current year on a month to month basis, which helps to keep track of each cost centers spending trend. We then can monitor and see where most of the money is being expensed. From this financial report we can make budget transfers where needed. The Expenditure report also helps us to make projections for our Five-year Forecasts. This is the first year to prepare a five year forecast, but its initial purpose is to establish a planning tool that will allow management to be in a better position to make long-term financial decisions. Each division is responsible for developing a five-year forecast. Some of the ways that we prepare this is by explaining significant increases from budget year to budget year, highlight any assumptions used to derive the annual budget amounts, and utilize historical and seasonal trends of at least the minimum of three years. By utilizing this

financial planning tool we can better plan for changes and prepared to request the necessary adjustments in the upcoming budget years.

In closing, I hope you have learned all the different avenues in preparing a budget and monitoring the budget for the Public Works Department. There are many similarities in preparing budgets for your own finances; However, you will not have departments and divisions to monitor unless you have a business. What I've learned and suggest to others is to utilize a budget, it is very tedious but very beneficial. The difficult part of a budget is not preparing it, but to be disciplined enough to follow it. It will be an adjustment at first, but once you are consistent with it, it will become easier, especially after you see progress in the improvement of your finances.

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